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affinity. So far, however, Keita has shown no inclination to tie his country closely to either. Keita recently expressed suspicion that Ivory Coast leader Houphouet-Boigny might be acting as an "instrument of French influence," but he also stated that his country did not intend to fall under the "trusteeship" of Guinea.

Keita has also secured a promise of financial support from Ghana's President Nkrumah. In return, the Soudanese leader publicly endorsed Nkrumah's pan-African objectives, which include Algerian independence.

Toward Senegal, however, the Soudanese apparently intend to maintain a vindictive policy. Keita has stated that economic ties between the two countries--more vital to Senegal's economy than to Soudan's--would remain severed as long as the present leaders of Senegal retain power. Another Mali official stated on 22 September that his government would do "everything possible" to bring about the downfall of Senegalese President Senghor.

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NIGERIA BECOMES INDEPENDENT

Independence on 1 October for the British-created Federation of Nigeria--whose 35,000,000 people make it Africa's most populous country--marks the emergence of a state which may in time exert a decisive influence on African political alignments. With the unifying force of British authority removed, the leaders of its three major political groupings must subordinate traditional tribal, regional, religious, and cultural differences, as well as personal rivalries, in the interest of preserving national unity. Each of the three largely tribal groupings dominates one of Nigeria's three regions; unlike most other emerging African states, however, no one of them is yet strong enough to assert its authority over the entire country.

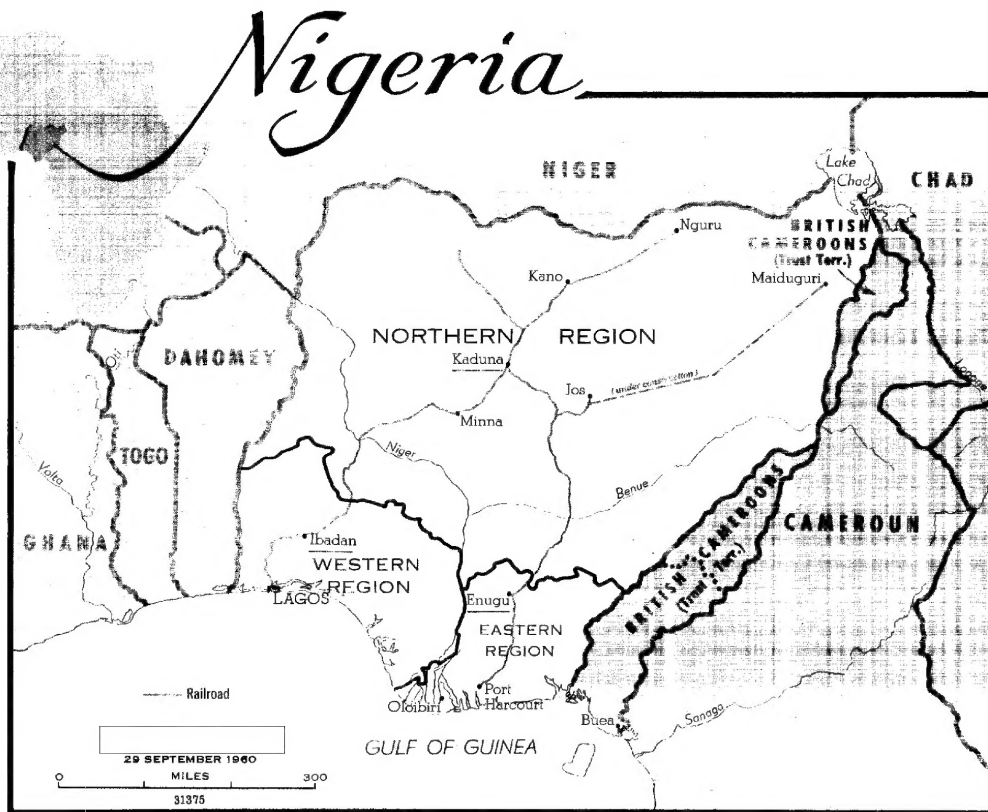
Power at the federal level is in the hands of a coalition of the conservative Northern People's Congress (NPC) and the Eastern Region's more radical, neutralist-flavored National Council of Nigeria and the Cameroons (NCNC). This government was installed last December after a hotly contested election in which the NPC won 149 and the NCNC--together with an allied

party--89 of the 312 seats in the federal House of Representatives. Nigeria's third major party--the Western Region's ruling Action Group--took the remaining 74 seats; it constitutes the opposition in the present legislature.

Abubukar Tafawa Balewa--a well-liked and capable moderate representative of the Moslem north--heads the federal coalition. His position ultimately depends, however, on the favor of Nigeria's single most powerful personality--Ahmadu Bello, the Sardauna of Sokoto and premier of the Northern Region, the largest and most populous of Nigeria's three regions.

While the coalition seems secure for the present, there is apparently considerable behind-the-scenes maneuvering inspired largely by the desire of some southern elements to squeeze the northerners out. Any such attempt--blocked so far by the enmity between the two major tribal groups of the south--would arouse a sharp reaction in the north, where the Moslem rulers fear, above all, domination by the more dynamic Christian and animist tribesmen of the South. The appointment

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as governor general of Dr. Nnamdi Azikiwe--one of Nigeria's first nationalist leaders and the long-time president of the NCNC--has already disturbed many northern leaders. Meanwhile, current disorders in the north appear to reflect growing restiveness on the part of some non-Moslem tribesmen over the region's essentially feudal political and social structure.

In foreign affairs, the Balewa government, while recognizing a basic identity of interests with the West and committing Nigeria firmly to the support of the UN as well as active membership in the Commonwealth, has indicated its intention to pursue a policy which takes account of the neutralist and pan-African feelings within the NCNC. Pledged to working for closer ties among African states, the government has al-

ready announced its intention to call an early conference of West African states and to send a Nigerian battalion to join the UN force in the Congo. Nigeria's present top leaders, however, have made no secret of their opposition to the pretensions to African leadership and the "union now" ideas of Ghana's Nkrumah.

Balewa apparently intends to delay as long as possible the establishment of diplomatic relations with Soviet bloc countries. It seems likely, however, that formal ties will be established immediately with the UAR, which has recently stepped up its efforts to cultivate northern Moslem leaders. British influence will still be considerable, however, because of the employment of large numbers of British civil servants.

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Britain is expected to react sharply to Buganda's moves. The chief secretary--second-ranking British official in Uganda--expects a crisis but believes one at this time would be better than a few years hence when Buganda might confront inexperienced Ugandan leaders with the choice of civil war or fragmentation of a new nation. He has hinted that Britain is prepared to use the governor's reserve

powers to remove Bugandan ministers and curtail the King's influence.

On 26 September the British official publicly announced that London would not permit Buganda to change the basic protectorate agreements unilaterally, would not recognize any secession so long as the British govern Uganda, and would consider no constitutional changes at this time.

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MIDDLE EAST DEVELOPMENTS

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Jordan-UAR

King Husayn arrived in New York this week with the hope of obtaining through UN mediation some sort of redress for the assassination of Jordanian Prime Minister Majalli, for which he holds the UAR responsible. UN Secretary General Hammarskjold is trying to prevent the Jordan-UAR crisis from reaching the General Assembly by undertaking private talks with Husayn and Nasir, and by attempting to arrange, in response to a Jordanian proposal, a confrontation of the two Arab leaders.

Hammarskjold, in addition to proposing that both countries cease their propaganda warfare, intended to impress on Nasir the dangers to Middle Eastern stability of continued attempts at subversion and terrorism.

an outbreak of large-scale hostilities seems less likely, at least while Husayn is in New York.

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The continued maintenance of Jordanian troops in a status of alert in field positions could eventually cause serious problems.

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Nasir is unlikely, however, to agree to a detente which does not involve equally conciliatory measures by Jordan.

troop morale has been low and rations poor, while many of the soldiers who live in northern Jordan are unhappy over the prospect of fighting neighbors and, in some cases,

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relatives across the border. The US Army attaché in Amman has said, moreover, that there have been indications that Bedouin domination of the present operation was causing a rift within the Jordanian Army between the Bedouin "command aristocracy" and others, such as Circassians, Christians, and Palestinians, who feel they have been left out.

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Libya

A governmental crisis has resulted from the recent exposure of corruption among high-level officials. Dissatisfaction with the Kubar government has increased, especially in urban areas, and some of the popular resentment is directed against King Idris for his delay in taking promised remedial action. In response to a petition signed by a majority of the members of parliament, Idris has ordered parliament to reconvene in extraordinary session on 8 October to discuss the latest scandal connected with government financing of the Fezzan road project.

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The King has already replaced almost the entire provincial Cyrenaican Executive Council. He is also expected soon to accept the resignation proffered by Prime Minister Kubar more than six weeks ago and to undertake a major shake-up of the federal cabinet. Many prominent politicians--such as former Prime Minister Ben Halim--who might ordinarily be considered possible replacements for Kubar now are likely to be ruled out because they

too have been implicated in unsavory dealings.

One likely choice to succeed the prime minister might be Husayn Maziq, the governor of the Province of Cyrenaica. Another might be Sheik Abd al-Hamid Dibani, the minister of justice, who has occasionally been acting prime minister. Both are men of integrity, and either could be expected to continue Libyan policies generally favorable to the West.

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NEHRU-AYUB MEETINGS IMPROVE INDO-PAKISTANI RELATIONS

Indian Prime Minister Nehru's five-day visit with President Ayub of Pakistan in connection with the signing of the much-heralded Indus Waters Agreement appears to have established a personal rapport which will promote closer relations between India and Pakistan.



NEHRU AND AYUB

The formal ending of the 13-year-old Indus waters dispute removes a major irritant

in the relations between the two nations. The new agreement, along with last year's border accord and continuing contacts between the nations' leaders, may provide sufficient momentum to enable the two nations to move on to settlement of other outstanding issues, such as relaxation of visa restrictions, implementation of through rail travel, and a settlement of the outstanding debts arising from partition of the subcontinent.

Additional lower level talks are planned on these issues, but since each country feels that it made the conciliatory gestures that paved the way toward an Indus settlement, each probably expects the other now to take the initiative in further concessions.

Regarding any possible solution to the long-standing

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dispute over the status of Kashmir, neither leader appeared willing to modify his basic position. They apparently discussed the question dispassionately during their long, frank, private conversations, with Ayub reportedly stressing the point that only he and Nehru are strong enough to push through a solution over the opposition of certain elements within their countries.

Both leaders recognize that with the settlement of the Indus waters dispute, all remaining points of disagreement are minor compared with Kashmir, and both agree that a settlement of the Kashmir question holds the key to long-term stability in Indo-Pakistani relations. However, neither appears ready at this time to make the compromises necessary to permit a serious bargaining for a settlement.

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TRIBAL UNREST ALONG THE AFGHAN-PAKISTANI BORDER

Tension is mounting along the Afghan-Pakistani frontier following the outbreak of fighting among Pushtoon tribes living along the border north of the Khyber Pass. The danger of clashes between Afghan and Pakistani army units will increase as both Kabul and Rawalpindi take measures to support their tribal partisans, although efforts will probably be made to keep the disturbances localized.

The current unrest involves long-standing conflicts among several tribal groups in this area and between the tribes and the two governments. Neither government controls all the tribes in its own territory, and both governments compete to extend their influence among them, with little regard for the international boundaries.

Most of the recent fighting, which began in early September on the Pakistani side of the line, seems to be centered in Khar, in the Bajaur region. The Nawab of Dir, a local ruler who controls a semi-autonomous state, has had chronically poor relations with the Pakistani Government and reportedly has recently requested Afghan Government support.

The Afghans, possibly in response to this request, apparently are assisting the enemies of the Khan of Khar, a rival of the Nawab.

Kabul has canceled all army leaves, is calling up reservists, and is sending additional armor and infantry units to the border, both north and south of the Khyber Pass. The Afghan Government is also recruiting tribal irregulars, and many--perhaps a thousand--have already crossed the border to spark further unrest and encourage tribal opposition to the Pakistani Government.

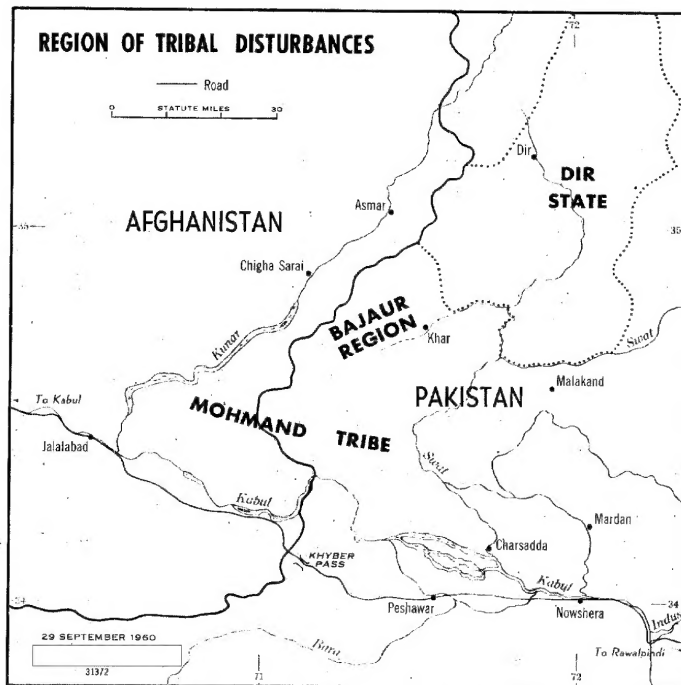
Pakistani Air Marshal Asghar Khan says the Pakistani Air Force is organizing an air drop should it be necessary to bring troops into the area, which is relatively inaccessible by land routes from Pakistan.

Afghanistan too has long had considerable difficulty with tribes on its side of the border, especially with the Mohmands, a powerful Pushtoon tribe living on both sides of the border. Since a shooting incident in 1958, Kabul has increased its garrison in the area and pushed

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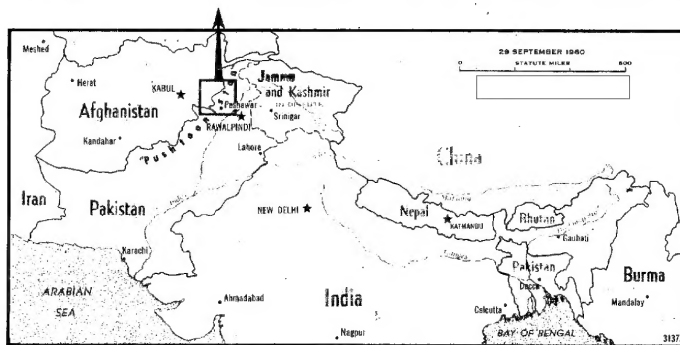
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Bajaur and Dir. In addition, there are indications of widespread unrest in several Afghan cities, probably resulting from the call-up of the reserves.

Both Kabul and Rawalpindi have shown considerable concern that the other side may go too far and cause the conflict to spread. Kabul apparently has placed its Soviet-supplied MIG-17 jet fighters on the alert in the event of a Pakistani attack. Pakistani Foreign Minister Qadir announced on 28 September that "the government of Pakistan is holding itself in readiness for all eventualities and is capable of dealing effectively with all attempts at violating Pakistan's frontiers." As an indication of the extent of Pakistan's concern, Qadir's deputy on the same day called in the Soviet and American ambassadors to present his government's views on the situation.



its road-building program to facilitate extension of its control. Afghan regulars are encountering serious tribal resistance as they try to push close to the border opposite

SOUTH KOREAN POLITICS

South Korean Prime Minister Chang Myon, already threatened with a formal split of his Democratic party, may disrupt government operations if he carries

out the large-scale purge of government officials he has initiated. Faced with popular pressure for a status-of-forces agreement with the United

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States, Chang may feel forced to popularize his administration by publicly pushing for an agreement.

Kim To-Yon, Chang's erstwhile rival for the prime ministership and the nominal leader of the Democratic party's "old" faction, on 22 September announced his intention of withdrawing from the party and organizing a conservative opposition party. Kim's effort to force a party split probably was designed to block any further loss of members to Chang's "new" faction. Chang is confident the split ultimately will benefit him by encouraging the transfer of sufficient members from the "old" faction to the prime minister's group to give him a majority in the National Assembly.

Chang is carrying out a large-scale dismissal of senior government, provincial, and police officials appointed during the Rhee administration. The purge is designed to win popular support for the new government by removing unpopular local officials and allegedly corrupt remnants of the old regime. It also may be motivated in part by a desire to establish within the

government an organization personally loyal to Chang. The anti-corruption drive is almost certain to demoralize government employees and reduce the effectiveness of the present administration.

Inspired by the nationalistic sentiment which has been evident since the April revolution, the press, members of the National Assembly, Korean employees of US military installations, and student demonstrators are exerting pressure on the government for the early conclusion of a status-of-forces agreement with the United States. Chang has indicated that his government is under compulsion to demonstrate progress toward this goal, and, faced with mounting difficulties on domestic issues, he may decide to popularize his administration by publicly pushing for an agreement.

Vice Minister of Foreign Affairs Kim Yong-sik recently told the American Embassy that he believed the government would be largely relieved of pressure on this issue if negotiations were begun, despite the fact that a final agreement might require many months, as Chang's government could take considerable credit for merely opening formal talks.

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SPAARK'S WORRIES ABOUT NATO

Secretary General Spaak, who visits Washington from 2 to 4 October, is primarily concerned with discussing the difficulties posed by French attitudes, as well as over the shortcomings of NATO's consultation procedures, as shown in the Congo crisis.

Even before De Gaulle on 5 September publicly advanced

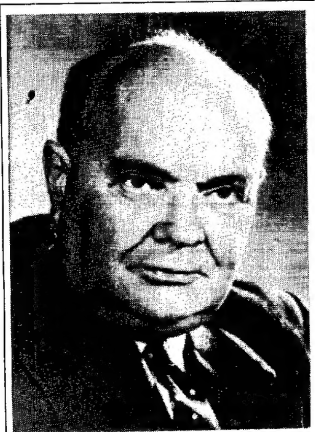
his thesis that "world powers" should have a superior status within the alliance, Spaak had observed that the French President did not want true tripartite consultation or even a directorate of three, but support for his own policies; that unless he can have this, De Gaulle is against NATO.

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Of the specific military issues that have vexed Gaullist France's relations with NATO, limited progress on integrated air defense was achieved on 28



SPAAK

September when the North Atlantic Council approved creation of an integrated air defense system that would include a section of France bordering on West Germany. French planes in the area as well as in Germany will remain integrated in the NATO command, and the French radar system will be brought into the Allied warning net.

While there apparently has been no change in De Gaulle's position since he removed France's Mediterranean fleet from NATO wartime control, continuation of some practical co-

operation is illustrated by French participation in current NATO naval exercises. Attention will now focus on French objections to the American proposal of 1 April for the establishment of a NATO medium-range ballistic missile program. NATO authorities hope to resolve this issue by the time the annual ministerial meeting convenes in December.

Spaak has found in the handling of the Congo crisis new ammunition for his continuing campaign to improve procedures of consultation. He has pointed to Belgium's failure to seek the permanent council's advice in advance of the crisis, the failure of NATO members to give Belgium their early advice on it, and the conflicting positions of NATO members in the UN Security Council debates. One immediate consequence has been Brussels' plans to trim its NATO contribution, probably by pulling back its two divisions in Germany from forward positions.

Spaak foresees similar difficulties arising from the coming UN General Assembly debates on Algeria which, he fears, will put France's ties with the alliance to a severe test. These are high among the problems dealt with in a major long-term study of the alliance, in which informal discussion began in the North Atlantic Council on 21 September.

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FINNISH POLITICAL PROBLEMS

The most difficult problems facing the recently reconvened Finnish parliament are the question of Finland's association with the European Free Trade Association (EFTA) and the related issue of broadening the minority government in order to break the political impasse on the domestic scene and to strengthen the government's hand in prospective economic nego-

tiations with the Soviet Union.

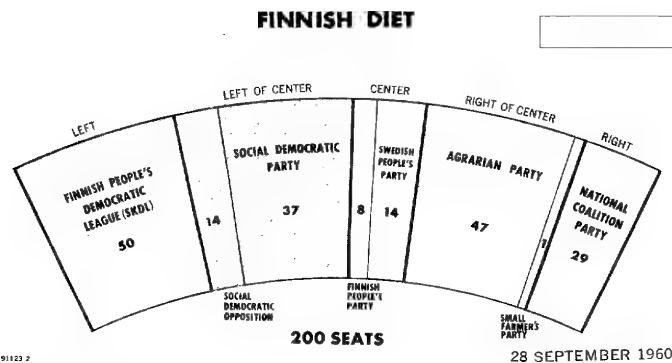
Finnish officials hope to pave the way for eventual association with EFTA by first reaching agreement with Moscow on most-favored-nation treatment for Soviet exports. Preliminary talks are already under way, and President Kekkonen has accepted Premier Khrushchev's invitation to visit Moscow in

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might be pressed to broaden the government.

Another question which may receive considerable attention is that of the desirability of holding new general elections in view of the continuing impasse in Finnish political affairs. Although elections are not

late November in connection with the expected conclusion of an agreement.

During his visit to Finland earlier this month, Khrushchev implied the USSR would not block Finland's association with EFTA provided measures were taken to maintain Soviet-Finnish trade. Once this problem has been resolved, the government probably will propose to parliament that Finland associate with EFTA--a move which seems certain to be approved in view of the almost solid support from the non-Communist parties and most economic groups.

Probably the most controversial domestic issue facing parliament and one which is likely indirectly to influence the EFTA and government questions concerns proposals for new farm income legislation which the Agrarians are expected to introduce. The Social Democrats in particular are determined to oppose vigorously any arrangement which in their view grants excessive benefits to farmers. This issue may be used by the opposition parties as a bargaining point by which the Agrarians

scheduled to be held until July 1962, pressure to hold them at an earlier date is likely to increase markedly if the Agrarians continue to refuse to broaden the government except on terms unacceptable to opposition parties. In the two unsuccessful attempts to reorganize the government last summer, the Agrarians proposed giving disproportionately high representation to the splinter opposition Social Democrats while barring the regular Social Democrats from any cabinet posts.

Despite some fears that the Communist-front Finnish Peoples Democratic League might further increase its strength as a result of dissension within the Social Democratic and Agrarian parties, there appears to be increased confidence among the democratic parties about facing the electorate during a period when the economy is booming and economic prospects are bright. An uneasy feeling persists, however, that even if the Communists made only moderate gains in the election, President Kekkonen would be inclined to grant them representation in a new government.

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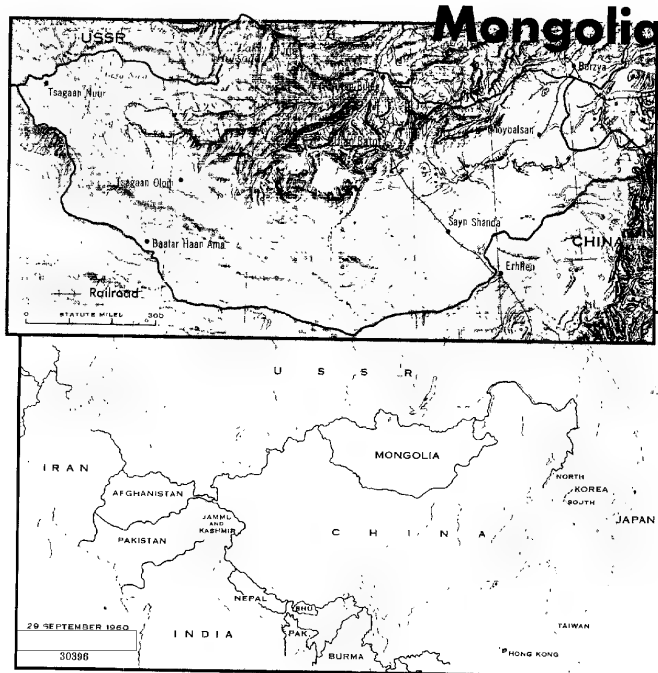
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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****29 September 1960****MONGOLIA IN BLOC AND WORLD AFFAIRS**

Mongolian Communist leaders were forced into a difficult decision this summer. After the Bucharest conference made it clear that the Soviet Union expected satellite support in its feud with Peiping, the Mongolian central committee met and on 5 July issued a surprisingly non-committal resolution. On 14 August, however, after Premier Yumzhagin Tsedenbal, who is also party first secretary, had appeared at the Kremlin, Unen, the official Mongolian newspaper, published an article firmly declaring for the USSR. Yet,

Chinese. This effort, captured and distorted by the Bolshevik revolution, brought the Mongolian Communists to power in 1921 behind an advancing Soviet Red Army which not only crushed White Russian remnants who had fled to Mongolia but also broke the centuries-old grip of Chinese suzerainty.

Now the Chinese have reappeared in the role of economic helpers. Although determined to prevent any restoration of Chinese ascendancy, elements in the Mongolian party, restive after years of unquestioning obedience to the Kremlin, probably welcomed an opportunity to widen contacts with the Chinese as a hedge against continued total subservience to the USSR.

**Nationalism**

There is no longer an organized Buddhist church around which national feeling can rally, as it did in Tibet. The lamas were ruthlessly eliminated in the purges of the mid-1930s, and the monastery preserved in Ulan Bator serves only to impress Buddhist visitors.

The Communists also have made some

regardless of Moscow's inducements or pressures, the fact that the oldest Soviet satellite had hoped to stay out of the polemic testifies to the resurgence of Chinese influence in Mongolia.

Historically, the Mongolians sought to import Russian influence to reduce that of the

attempt to reorient along more Marxist lines the Mongols' strong sense of pride in their history and culture. With Moscow looking over its shoulder, the Mongolian Government in 1941 officially adopted a modified Cyrillic script; Russian is a required language in the expanding school system and although there is a university, about

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1,000 youths are sent to study in the USSR each year; and there has been some effort to replace classic Mongol heroes, including Genghis Khan, with more orthodox symbols of proletarian internationalism like Marshal Choybalsan, a carbon copy of Stalin who died a year before his mentor.

The Mongol nomads form a reservoir of nationalism, but they are politically voiceless. Instead, the most striking recent opposition to complete sovietization was spearheaded by a Mongolian professor, Dr. Rinchen, who, between 1956 and 1959 wrote a number of books and poems which extolled traditional Mongol culture and were unflattering to the USSR. Attacked in the Mongol press as a "bourgeois nationalist," Rinchen was eventually dismissed from his post at Choybalsan University.

Rinchen's defense of Mongol culture--his willingness to snipe at "the new life of fraternal peoples"--appears to

contemptuous of both Chinese and Russians, much preferring Western companions to those from the bloc.

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Party Purge

"Nationalism," Unen said in criticizing Rinchen, "creates the soil for bourgeois intrigues"--a reference to the factionalism which divided the Mongolian People's Revolutionary party for five years, culminating in March 1959 with the purge of Dashin Damba and the end of "collective leadership" in Mongolia.

Tsedenbal, long Choybalsan's heir apparent as head of state and party, assumed both jobs when the marshal died in 1952. Only 36 at the time,

Tsedenbal may not have had a really firm power position in the politburo when Stalin's death brought on the interregnum of collective leadership in Moscow. In April 1954, Tsedenbal was released from his post as party first secretary, and into the vacancy stepped Damba, who had been second secretary since 1947. With Damba leading the party and Tsedenbal the government, Mongolia embarked on its own collective leadership experiment, a step Unen hailed as "the most important principle of party leadership."

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DAMBA



TSEDENBAL

have been symptomatic of widespread dissatisfaction with the effort to remake Mongolia in the Soviet image. [redacted] in the USSR report that their Mongolian acquaintances are

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Damba seemed in control of the 13th Mongolian party congress in March 1958. He attacked the Choybalsan cult--and indirectly the marshal's protégé Tsedenbal--charging that it "flagrantly violates revolutionary legality." Even more significant were Damba's remarks about the effort to get Mongolian herdsmen to settle in co-operatives--a perennial objective of the regime. Stressing that the movement to co-operatives should be voluntary and stimulated by incentive, not coercion, Damba clearly implied that the pace of socialization should take Mongolia's traditional culture patterns into account.

Such concepts were not in harmony with general bloc efforts at the time to tighten socialist control over agriculture, and they certainly were not in keeping with Tsedenbal's ambitions to catapult Mongolia immediately into the 20th century via Communism. By 1958, collective leadership was passé in the USSR, and Tsedenbal knew whom to see.

Following Tsedenbal's November 1958 trip to Moscow, the party central committee met in plenary session, after which Tsedenbal once more emerged as first secretary, while Damba reverted to second secretary "for better centralization of party leadership." It quickly became apparent that socialization was going to be accelerated. By early 1959 Tsedenbal had consolidated his position, and on 31 March Damba was purged along with five other members of the politburo.

The charges against Damba were vituperative, revealing the depth of Tsedenbal's animosity as well as indicating that Moscow shared this feeling. TASS was prompt to report Damba's "lack of principle and dishonesty, stupid political

backwardness, conservatism, and inertia, egotism, and opportunistic conciliation." The Soviet journal Party Life gave Tsedenbal space in which to condemn Damba for criticizing Choybalsan, now restored to his pedestal as "an ardent advocate of the friendship of peoples." In his article, Tsedenbal outlined "a great revolutionary measure intended to promote rapid development of productive forces in agriculture"--essentially, speedy conversion of Mongolia's pastoral economy to one more closely approximating agriculture in the Soviet Union.

In retrospect, it appears that Damba attempted a cautious de-emphasis of the Soviet presence during his five-year control of the party. His willingness to oppose the recognized Soviet faction and his desire to accommodate Mongolian characteristics in socializing the economy point in this direction, giving his struggle for personal power a distinctly nationalistic tone. It was during Damba's tenure that Chinese influence experienced a renaissance in Mongolia--a renaissance Damba may have welcomed, but only to the extent that it might in some degree offset Soviet control.

"Socialist Competition"

Before the Communist victory in China, Mao Tse-tung told the American writer Edgar Snow that "the Outer Mongolian republic will automatically become a part of the Chinese federation when the people's revolution has been victorious in China." This has not been repeated publicly since Mao took over the mainland, but the implications did not escape Moscow's notice. When the Sino-Soviet treaty was signed in 1950, a note was appended in which the Chinese Communists acknowledged Mongolia's independence, just as Chiang Kai-shek had done a few years before.

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Stalin may not have trusted Mao completely, but he was content to restrict, rather than entirely prevent, renewed Chinese activity in Mongolia. The 1952 joint Sino-Soviet-Mongolian railroad treaty kept Chinese construction crews from crossing Mongolia's southern boundary, but that same year Peiping and Ulan Bator agreed to "consolidate cooperation" in an economic and cultural pact. At the time it was signed, this agreement was rather vague as to just how far the two parties intended to carry their cooperation, but the agreement was used subsequently as something of an open-end contract providing the justification for specific Chinese economic aid programs.

With Stalin out of the picture, the reins of Moscow's hegemony loose, and the economic drain of the Korean war over, Peiping developed a more tangible interest in Mongolia. By agreement with the Ulan Bator, the first of at least 10,000 Chinese laborers began arriving in 1955. These workers have built housing projects, bridges, a glass factory, food-processing plants, and a brick kiln; they are building or will build more roads, bridges, and apartment houses, plus additional factories for Mongolia's nascent industry; some 2,000 Chinese are swarming over the Harkhorin state farm constructing a sizable irrigation system. All this is financed by Peiping, whose grant and credit aid to Mongolia since 1956 reached a total of \$115,000,000 with the extension of a new \$50,000,000 loan last May.

Communist China's trade with Mongolia has multiplied about 50 times since 1952, a rise which to some extent has been at Soviet expense. This point was formally noted in 1957 when the 1958-60 Soviet-Mongolian trade agreement was

signed. At Ulan Bator's request, it was agreed that Mongolian exports to the USSR could be reduced because of the "significant expansion of economic relations with other countries."

The USSR still dominates Mongolian trade, as it does the field of economic assistance. Moscow provides farm machinery, industrial equipment, and heavy installations such as thermal power plants; aid projects have developed mineral resources and transportation.

Viewed strictly in terms of projects, Chinese economic activity in Mongolia would seem to complement that of the USSR. In balmier days of the Sino-Soviet alliance, Moscow may have found this an acceptable, if not wholly desirable, modus vivendi as long as the Chinese did not push for equal status in Mongolia. The Chinese, in fact, have been careful to stay within the permissive framework of "socialist brotherhood," and they have avoided any pronouncements or specific actions which could be interpreted as interference either in Mongolia's internal affairs or in Soviet-Mongolian relations.

Peiping thus is not openly challenging Moscow's position in Mongolia, but the return of Chinese influence tends to erode that of the USSR. Peiping seems to be following a policy of patience and of gradual encroachment intended slowly to reorient Ulan Bator's political allegiance.

There have been some indications that Moscow is reviewing its position in Mongolia in the light of Sino-Soviet differences. TASS gave cursory treatment to Chou En-lai's visit to Ulan Bator last May when new assistance was pledged to Mongolia's Third Five-Year Plan (1961-65), which suggests that the USSR was less than pleased.

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Moscow's 9 September loan to Mongolia of over \$153,000,000 for the new Five-Year Plan stipulates repayment on "easy terms," defers repayment of earlier loans, and provides for sending Soviet technicians and workers to Mongolia. This last may be particularly significant, as the USSR in recent years has left the labor field almost entirely to the Chinese. The agreement brings total Soviet aid since 1956 to well over \$275,000,000. On 20 September, a further Sino-Mongolian agreement was announced providing Chinese labor, presumably for construction projects to be undertaken in connection with the Chinese loan in May.

Diplomatic Relations

Ulan Bator has made a serious effort in recent years to gain acceptance as a legitimate independent state, bidding especially for contacts with the Afro-Asian countries. Burma, India, Indonesia, and Guinea now recognize Mongolia. As yet there are no nonbloc ambassadors in Ulan Bator, but Indonesian, Indian, and Burmese ambassadors in Peiping are accredited there. Guinea has not yet appointed a diplomatic representative, but President Sekou Touré visited Ulan Bator on 10 September.

Diplomatic relations with Peiping and Moscow present the expected picture of "socialist unity." Molotov served as

Soviet ambassador in Ulan Bator until recently, but Mongolians privately expressed a dislike for him. There is an interesting, although unconfirmed, report that in early 1958, the USSR appropriated some Mongolian territory rich in cobalt--an action which was said to have led to a stiff protest from Mongolian Foreign Minister Avarzed. Avarzed did lose his job in mid-1958, and the report alleged this was at Molotov's insistence.

Mongolia and the UN

Mongolia's efforts to join the United Nations date from 1946. Membership requires a two-thirds endorsement of the General Assembly and is subject to a Security Council veto, as was used by Nationalist China in 1955.

Khrushchev, in his address to the General Assembly on 23 September, called for Mongolia's admission along with that of Communist China. The USSR may, however, be planning to ask this General Assembly merely to recommend Mongolia for membership. If successful, such a move would give the Communists a propaganda victory by according Mongolia some measure of international recognition. It would not result in membership for Mongolia, 25X1 but would afford the bloc a talking point for urging acceptance in later sessions.

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RECENT DEVELOPMENTS IN MIDDLE EAST OIL

Saudi oil boss Sheikh Abdullah Tariki and Juan Perez Alfonzo, Venezuela's minister of mines and hydrocarbons, have taken a major step toward realization of their plan for unified action by the world's major

net oil-exporting countries. On 14 September the formation of the Organization of Petroleum Exporting Countries (OPEC) was announced in Baghdad. Its members--Saudi Arabia, Kuwait, Iraq, Iran, and Venezuela--have about

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80 percent of the free world's known oil reserves and account for almost half of the oil moving in international trade. However, OPEC is already showing signs of weakness. Iran, whose cooperation is essential, now appears to be having second thoughts about "solidarity" with the Arabs.

Prelude to Baghdad Talks

For more than two years Tariki and Perez have been working toward a world-wide system of prorationing oil output by agreement among the world's major net oil-exporting countries. They advocate an organization with power to set production levels in each country and determine each member's share of the world market, and thus to maintain an artificially high price for oil.

Tariki and Perez realized Iran and Iraq would have to join if the plan were to succeed. Iraq was not likely to join any new group in which the UAR, a minor producer, would have either membership or strong influence. When Tariki visited Baghdad in late August, he and the Iraqis agreed that the UAR would not be included and that the Arab League--in which the UAR plays the leading role--would be given only observer status. Iraq then

warmly endorsed Tariki's plans for a preliminary meeting and insisted that it be in Baghdad.

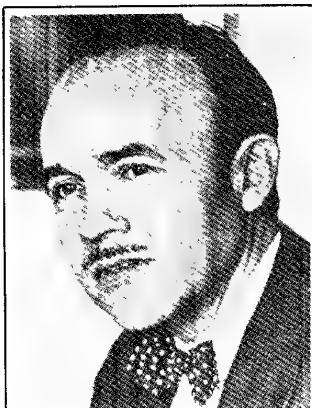
The task of assuring Iranian attendance fell to Iraq. Tariki had long sought to interest Iran in prorationing schemes. Iran, feeling that Baghdad would consider a refusal to attend the meetings an affront to Qasim, agreed to participate as an observer. Its decision was probably influenced by the fact that Bahrain, which Iran claims as its territory, was not invited.

On 12 September representatives from Iraq, Saudi Arabia, Kuwait, Qatar, Iran, and Venezuela began discussions which led to the formation of the new organization.

Fuad Ruhani, acting managing director of the government-owned National Iranian Oil Company (NIOC), represented Iran in the absence of Abdullah Entezam, chairman of the company, who was on a trip to the United States. Both Iranians strongly back most of the present policies of the international oil industry, but Tariki proposed an agenda that included a number of proposals extremely hostile to the oil companies. Such proposals would have conflicted with Tehran's policy of mild



TARIKI



PEREZ



ENTEZAM

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harassment of but basic accommodation with the companies operating in Iran. Ruhani warded off Tariki's proposed agenda by changing Iran's status from observer to delegate in order to present another agenda.

According to Ruhani, his object was to prevent discussion of such matters as proposals for correlating the amount of oil produced with oil reserves, raising the governments' share of profits from the present 50 percent, and adopting a formula for changing prices. The announced decisions of the meetings were close to the Iranian proposals.

Aside from the decision to form the OPEC, the most important was agreement on the need to maintain present prices. Issuance of a final communiqué was postponed until 24 September, when the several governments simultaneously announced the results of the meeting. Iranian officials, feeling they had exerted a moderating influence at the meetings and had actually championed the Western oil companies' cause, were surprised at the reaction of the companies, which viewed Tehran's role in the meeting as Iranian "solidarity" with the Arabs.

At least one US firm halted negotiations for an oil concession in Iran.

While withdrawal is a distinct possibility, it seems more likely that Iran will remain a member and attempt to act as a restraining influence on Tariki and Perez, while also using its membership to win some concessions from the consortium.

SUMMARY OF RESOLUTIONS OF MIDDLE EAST OIL CONFERENCE

The conference decides to form a permanent organization to be called Organisation of Petroleum Exporting Countries for regular consultation among its members to coordinate and unify the policies of the members and determining the attitude which members should adopt.

Principal aim of the organization shall be to unify petroleum policies for member countries and to determine the best means for safeguarding the interest of member countries individually and collectively.

Members shall demand that oil companies maintain their prices steady and free from all unnecessary fluctuation. Members shall endeavor to restore present prices to the levels prevailing before the reduction.

Members shall study and formulate a system to ensure the stabilization of prices by, among other means, the regulation of production with regard to the interests of the producing and of the consuming nations, and to the necessity of securing steady income to the producing countries, an efficient and regular supply to consuming nations, and a fair return on their capital to those investing in the petroleum industry.

If sanctions are employed by a company against any member country, no other member shall accept any offer of a beneficent treatment whether in the form of an increase in exports or an improvement in prices which may be made by any such company with the intention of discouraging the application of the unanimous decision reached by the conference.

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Kuwait and OPEC

Until very recently Kuwait had been content to keep out of the controversies between the oil industries and the area's oil-producing countries. This policy has helped Kuwait, which produced no oil before World War II, move to third place--after the United States and Venezuela--among the free world's oil producers. Now, however, Kuwait is showing

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signs of wanting more than substantial oil revenues. Many influential Kuwaitis want their country to have a larger voice in the management of the British- and American-owned Kuwait Oil Company as well as some control over changes in prices for its oil.

It was Kuwait that asked Tariki to organize an emergency meeting of oil-producing countries following the August cut in the posted prices for Middle East oil. British officials remain convinced, nevertheless, that the oil policies of the Kuwaiti Government will continue to be determined by a preoccupation with the size of the country's oil revenues.

Prospects for OPEC

The OPEC has serious structural and conceptual weaknesses, which reduce its threat to the international oil industry. Most of the member governments are unstable and suspicious of each other. Iran, for example, tends to distrust the Arab states and to hold them in contempt, recalling vividly the fact that the Arabs took advantage of the shutdown of Iran's oil industry following nationalization in 1951-52 to achieve their present export position.

The Arabs are resentful that Iran stepped into the breach during the Suez crisis and supplied Israel with oil when Moscow decided to halt shipments to Israel. Most of Israel's petroleum needs are still being met by Iran, and it appears likely that Iranian shipments will increase further as Israel begins full-scale operation of its new pipeline

from the Gulf of Aqaba to the Mediterranean.

All members except Kuwait need funds. Excepting Venezuela, each member has been urging the oil companies to increase production in its own territory at faster rates, even at the expense of other area countries. Iran, for example, holds that it should return to its former position as the Persian Gulf's leading oil producer, and it is concerned with the Arabs' rapid increases in output. Saudi Arabia has told Aramco that its production should increase faster, noting that Kuwait, whose production is half again as large as Saudi Arabia's, has no pressing need for additional revenues.

International prorationing of oil would be extremely difficult, if not impossible, without the cooperation of the oil industry and the major consumers. For the Middle East, the principal consumers are Western European countries, which also take a sizable portion of Venezuelan petroleum exports. They are not as dependent on Middle East oil as the Arabs tend to believe. Europe is plagued with a coal surplus, partly because of the heretofore cheaper price of oil. Proration implies at least stable and possibly increased oil prices. Under such conditions the continuing shift from coal to oil might be slowed down and possibly reversed.

The oil fields in Algeria and Libya will provide Europe with increasing quantities of crude oil. France has cut its imports of Middle East crude sharply. Neither Libya nor Algeria was represented at the Baghdad talks, although the way

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is open for them to join. However, Libya is preoccupied with becoming a major oil-producing nation and would not be likely to agree to suggestions that it limit its oil exports.

Determination of each country's share of the market would be a major, and quite likely insurmountable, stumbling block. Saudi Arabia probably would press for some formula relating production to reserves, since this would give it larger production increases than any other country except Kuwait. Tariki has stated, however, that Kuwait is a special case, and a modification of any formula for the other members would be needed to halt the continued rapid increase in Kuwaiti output. Venezuela is unlikely to agree to any export prorationing based on reserves because of its sharp disadvantage in using this criterion.

Iran, on the other hand, has suggested a production-to-population relationship, which, since it is the most populous of the several countries, would make it pre-eminent in production. Despite these weaknesses, the OPEC will likely make itself felt in oil councils in coming months, especially in determining price changes.

Tapline Problem

The negotiations that have been going on for five years

between the American-owned Trans Arabian Pipeline Company (Tapline) and the Arab states through which it passes are no closer to solution now than a year ago. The company continues to hold that an agreement with Saudi Arabia must precede agreements with the transit countries of Jordan, Lebanon, and the UAR. Cairo, however, has insisted that its demands for additional revenues be met and has again threatened to shut down the pipeline. Tapline's dispute with the UAR was sharpened in July when the company halted shipments of crude to the Homs refinery in the Syrian region because of non-payment of bills. The refinery is continuing operation with larger imports from the Iraqi Petroleum Company (IPC), but Syria is now paying a higher price for the crude oil.

Baghdad-IPC

Off and on since the July 1958 revolution, Baghdad and the IPC have been negotiating changes in the company's concession agreement. Thus far, although the company has made a number of offers--including the surrender of about 90,000 square miles, or about 52 percent of its total concession--no agreement has been concluded. A new round of negotiations began in late September, but prospects for a settlement of outstanding issues continue remote.

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SEARCH FOR NEW POLITICAL ALIGNMENTS IN ITALY

The faction-ridden and divergent parties supporting the two-month-old Italian government--made up entirely of Christian Democrats--were forced into a semblance of unity by a threat to the existence of the

democratic system in Italy; Nevertheless they are still seeking new national political alignments, and the outlook for such alignments may be clarified by the 6 November elections for municipal and

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provincial governments and by the subsequent congress of the Nenni Socialists. These local elections--which are to be held in most of the nation--are expected to indicate trends to be exploited by the parties as they approach national elections, due by 1963.

Supporting Parties Divided

The political truce which led to investiture of Premier Amintore Fanfani's minority government will be strained by the fall elections. Three main aspirations are apparent among the four parties now backing Fanfani. The majority of the Liberals and right-wing Christian Democrats and one or two Democratic Socialists and Republicans probably hope to reconstitute the old quadripartite coalition cabinet in which the three divergent small center parties participated with the Christian Democrats. Some Liberals and right-wing Christian Democrats want to rely more directly on the monarchists (Italian Democratic party), who abstained in the investiture vote.

The Republican and Democratic Socialist parties and

the left-wing Christian Democrats, however, have urged that the present cabinet serve as a transition to a reformist government of the center-left, involving more definite parliamentary support from the Nenni



FANFANI

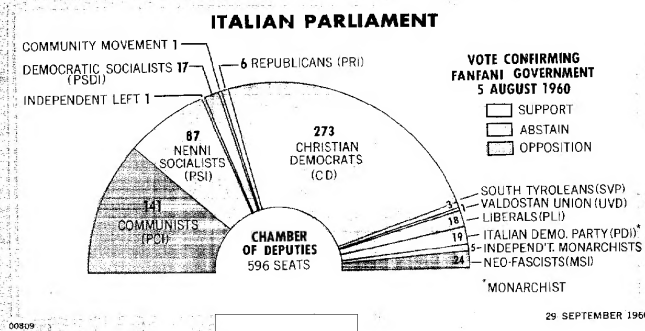


NENNI

Socialists--whose abstention in Fanfani's favor was the first time the party had failed to vote against a premier-designate since 1947.

The Fanfani government is committed to resign if any of the parties withdraws its support. A Christian Democratic deputy is said to have complained that Fanfani heads not a government of the center but rather a government of divergent currents. "I'm afraid," he said, "that if a Republican sneezes, Fanfani will die of pneumonia."

The center parties jumped in to the breach in order to cope with threats to Italian democracy --threats exemplified by Tambroni's neo-Fascist-backed government and the Communist-led rioting in protest against it.

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Reluctant minority elements and ideological disagreements among the parties, however, keep the fundamental hostilities within and among these parties alive.

The Liberals include a group which nearly blocked the party's support of the Fanfani government, on the grounds that acquiescence in the ouster of Tambroni's cabinet, which had been backed by the neo-Fascists, immediately after the June-July disorders would be yielding to the pressure of Communist mobs. Although the Republican party is of the center-left, the leader of one of its dissident factions, former Defense Minister Pacciardi, has been meeting with neo-Fascists, former Fascist activists, and other extreme right-wing elements to discuss plans for forming a national front "in defense of the republic" against a center-left government.

Both left and right-wing Christian Democrats are represented in the cabinet, but the search for party unity is impeded by a struggle over the positions which various factions will occupy on the election lists.

The chronic problem of Giuseppe Saragat's Democratic Socialists--that of trying to compete with Pietro Nenni's party as representative of the Socialist electorate--is intensified by Nenni's announced intention to run independent electoral lists in areas where the proportional rather than the majority system prevails--cities over 10,000 and provinces.

In places where the Nenni Socialists run lists with no Communist taint, Saragat's party may lose a major part of its already small electoral appeal, as was the case in the 1956 elections. Such a development could seriously weaken the

Democratic Socialist bargaining position vis-a-vis the Christian Democrats. Saragat is already trying to win back some Socialist support by pointing out that Nenni's 15 September speech showed that he intends to continue electoral and post-electoral alliances with the Communists in some of the cities with less than 10,000 inhabitants where the majority electoral system still applies.

The Christian Democrats have announced that they would make no commitments regarding alliances after the elections, and have pledged that they will not run linked electoral lists with rightist groups, although they are presumably leaving the way open for continuance of their alliance with the neo-Fascists in some of the cities--probably less than 1,000--now jointly controlled. Nenni, for his part, has indicated that he intends to "rescue" the Christian Democrats from such dependence on the right and that after the elections his party will offer to collaborate with them in cities where political stalemate now prevents the mayors and city councils from functioning.

The Nenni Socialists and monarchists are threatened by internal cleavages over the question of relations with, respectively, the Communists and neo-Fascists--the only parties remaining in the opposition. The Socialists and monarchists cannot continue abstaining indefinitely without producing some sort of quid pro quo to placate their minorities.

This problem was illustrated by a leader of the Socialist left wing, who complained that "For about a decade we voted against the governments of (Christian Democratic premiers) Scelba, Segni, Pella, and Fanfani. Now that they're all together in the same government, we sustain them with our

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